

GAO

Testimony

Before the Joint Committee on Printing
Congress of the United States

For Release on Delivery
Expected at
9:30 a.m.
Tuesday,
May 11, 1993

FINANCIAL AUDIT

Government Printing Office's
Fiscal Year 1992 Financial
Statements

Statement of David L. Clark
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Mr. Chairman, Vice-Chairman, and Members of the Committee:

We are pleased to appear here today to discuss our audit of the Government Printing Office's (GPO) fiscal year 1992 financial statements. We are releasing our report on the audit today.

We are required under law (44 U.S.C. 309 (d)) to audit GPO's financial statements. We contracted with Arthur Andersen, an independent accounting firm, to perform the audit work. We determined the scope of the audit work, monitored its progress at all key points, reviewed Arthur Andersen's audit working papers, and performed other procedures as we deemed necessary.

We found, consistent with the opinion of Arthur Andersen,

- GPO's 1992 Principal Statements to be reliable in all material respects;

- the internal controls in effect at September 30, 1992, although needing improvement, to be effective in protecting assets, assuring material compliance with laws and regulations we tested, and assuring that there were no material misstatements in the financial statements; and

- no material noncompliance with budget authority and with laws and regulations tested.

Arthur Andersen will discuss these conclusions in more detail, including the internal controls that need improvement. In addition, I would like to discuss two other issues related to GPO's 1992 financial statements: (1) the inclusion of an overview section with the financial statements and (2) the reasons we believe section 309 of Title 44, United States Code, should be amended to require GPO to obtain an annual audit of its financial statements.

OVERVIEW SEGMENT OF GPO'S FISCAL YEAR 1992
FINANCIAL STATEMENT PACKAGE

Although GPO is not covered by the Chief Financial Officers Act (CFO) of 1990, we agree with its decision to pattern certain aspects of its 1992 financial statement package after the act and the associated Office of Management and Budget implementing regulations. A principal part of such a package is an Overview section, which is intended to provide oversight boards and other users of financial statements additional information to aid their analysis of the statements. In GPO's case, the Overview presents management's evaluation of its performance relative to certain operational and financial performance measures and comments on actions taken and being considered for reversing the declining trend in GPO's financial position.

Performance Measures

We believe GPO has made a good start in preparing a meaningful and useful financial statement package. The performance measures described by GPO provide additional analysis of the information presented in the financial statements and related notes. GPO's performance measures will, of course, need further refinement and development during fiscal years 1993 and 1994 as input is obtained from GPO program managers and the Committee on key performance measures appropriate for GPO.

The Committee's Vice Chairman recognized the importance of this issue by asking us to assist GPO in identifying several key performance measures. We contracted with Arthur Andersen to assist in this endeavor also.

Management's Comments on the GPO

Revolving Fund's Declining Financial Position

GPO's consolidated financial statements show that it incurred net operating losses of \$0.3 million in fiscal year 1991 and \$5.2 million in fiscal year 1992. The Overview includes management's comments on the reasons for the losses. It also includes management's projection that, even with certain cost reductions and revenue enhancement initiatives it has taken or planned, operating losses could increase to as much as \$11 million

to \$13 million for fiscal year 1993. Arthur Andersen's separate management letter to the Public Printer dated January 1993 includes several operational improvement suggestions that could aid in cost reduction.

LEGISLATIVE RECOMMENDATION

Section 309 (d) of Title 44, United States Code, requires the Comptroller General to "audit the activities of GPO at least once every 3 years." We have discharged this requirement through either operational or financial audits of GPO as requested by the Committee Chairman. However, as demonstrated by the CFO Act, there is now a greater awareness of the need for more accountability in financial management in the federal arena. Accountability is provided through a federal entity demonstrating that its systems and personnel are capable of producing acceptable financial statements that can be audited annually by an independent third party.

Unlike most executive federal agencies covered by the CFO Act, GPO has been producing acceptable financial statements for many years. We believe GPO should stay ahead or on an equal basis with these agencies by not only producing annual financial statements but having the statements audited on an annual basis. Accordingly, we are recommending that section 309 of Title 44 be amended similar to the provision of the CFO Act to require GPO to obtain an annual

financial statement audit and are submitting for the Committee's consideration suggested changes to section 309.

(See attachment I).

Under our suggested changes, each required financial statement would be audited in accordance with applicable generally accepted government auditing standards by GPO's Inspector General or by an independent external auditor, as determined by the Inspector General. The cost of these audits would be paid from the GPO Revolving Fund. The Comptroller General could review any audit of GPO's financial statements at his discretion, or at the request of a committee of the Congress, and could audit the financial statements prepared by GPO or perform other types of audits of GPO.

Similar to the 1992 financial statement audit, annual audits will benefit the Committee and others by

- providing assurance that accounting data used for assessing accountability and evaluating GPO operations is reliable and
- surfacing accounting, operating, and internal control problems that could impede cost reduction and efficiency improvement programs.

The requirement for the payment of such audits from the GPO Revolving Fund will result in the total costs of the GPO activity

being recorded in the accounts of the program and subsequently transferred through rate charges to the various activities that benefit from GPO's services. Historically, we have accomplished the GPO financial audits using our own resources. We estimate that an annual audit of GPO would cost about \$425,000 each year during fiscal years 1993 through 1995. We would be glad to provide assistance to the Committee on this matter.

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Mr. Chairman, this concludes my prepared statement. As agreed, following the Arthur Andersen representative's statement, he and I will be pleased to answer any questions from you and other Committee members.

It is my pleasure to introduce Mr. Jay Meriwether, the Arthur Andersen engagement partner on the GPO audit. In this position, he provided overall supervision of the planning and performance of the Arthur Andersen audit team and had overall responsibility for the performance of the audit work and the reports issued by Arthur Andersen. He will be assisted by Mr. John Harris, the engagement manager for the audit work.

THE COMPTROLLER GENERAL'S LEGISLATIVE
RECOMMENDATION FOR REVISING THE AUDIT

PROVISION OF SECTION 309, TITLE 44, U.S.C.

In general, section 309 of Title 44, United States Code, would be amended by revising the current subsection (d) and adding subsections (e) through (h) as follows.

(d) The Inspector General of the Government Printing Office, or an independent external auditor, as determined by the Inspector General, shall audit, in accordance with generally accepted government auditing standards, the annual financial statements prepared under subsection (c) of this section. The cost of the audit shall be paid from the Revolving Fund.

(e) Not later than June 30 following the fiscal year for which a financial statement is prepared under section 309 (c) of this title by the Government Printing Office, the person who audits the statements shall submit a report on the audit to the Public Printer.

(f) The Comptroller General of the United States--

(1) may review any audit of a financial statement conducted under this subsection by the Inspector General or an external auditor;

(2) shall report to the Congress and the Public Printer regarding the results of the review and make any recommendation the Comptroller General considers appropriate; and

(3) may audit a financial statement prepared under section 309 (c) of this title at the discretion of the Comptroller General or at the request of a committee of the Congress.

An audit the Comptroller General performs under this subsection shall be in lieu of the audit otherwise required by subsection (d) of this section. Prior to performing such audit, the Comptroller General shall consult with the Inspector General of the Government Printing Office. The cost of any audit performed under this subsection shall be paid from the Revolving Fund. The Comptroller General may be paid in advance or by periodic reimbursement. The Comptroller

General shall deposit the payment to the credit of the appropriation used to fund the audit.

(g) The Comptroller General may audit any activities of the Government Printing Office at his discretion or at the request of a committee of the Congress and shall furnish reports of such audits to the Congress and the Public Printer.

(h) For purposes of section 309, the Comptroller General shall have such access to the records, files, personnel, and facilities of the Government Printing Office as he considers necessary.

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